

Message Text

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17

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 COME-00 L-03 H-03 OPIC-12 OMB-01

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SS-20 SP-03 NSC-07 CIAE-00 INR-10 NSAE-00 RSC-01

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R 110736Z APR 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 2993

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

UNCLAS CANBERRA 2192

E.O. 11652: N/A

TAGS: EIND, EFIN, AS

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) STATE 053993 (NOTAL)

(B) CANBERRA A-63, MARCH 16, 1973 (NOTAL)

1. DEVELOPMENTS OVER PAST TWELVE MONTHS NECESSITATE REDRAFTING OF NARRATIVE STATEMENT ON INVESTMENT CLIMATE IN AUSTRALIA SUBMITTED IN 1973 (REF B).

2. PER REF (A), COMPLETE TEXT 1974 STATEMENT, INCLUDING HEADING AND PARAGRAPH SPACING, FOLLOWS:

QUOTE

AUSTRALIA

SPACE

SINCE TAKING OFFICE IN LATE 1972, THE WHITLAM GOVERNMENT HAS SOUGHT TO ARTICULATE AND IMPLEMENT A MORE RESTRICTIVE POLICY TOWARD FOREIGN INVESTMENT THAN THE ALMOST

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UNQUALIFIED WELCOME EXTENDED BY ITS PREDECESSORS.

PROCEDURES INTRODUCED BY THE PREVIOUS GOVERNMENT FOR SCREENING FOREIGN TAKEOVER BIDS HAVE BEEN CONTINUED, PENDING NEW LEGISLATION. A MAJOR DETERRENT TO FOREIGN INVESTMENT IS THE REQUIREMENT THAT ONE-THIRD OF THE PROCEEDS OF LONG-TERM (OVER TWO YEARS) FOREIGN BORROWING BE PLACED IN AN INTEREST-FREE ACCOUNT WITH THE RESERVE BANK. THIS VARIABLE DEPOSIT REQUIREMENT (VDR) WAS ADOPTED AS A MEASURE TO CONTROL EXCESS LIQUIDITY, NOT AS A BARRIER TO INVESTMENT. BUT SINCE IT NOW RAISES EFFECTIVE INTEREST RATES ON FOREIGN BORROWING BY ONE-HALF, THE VDR IS IN PRACTICE DISCOURAGING MUCH NEW FOREIGN INVESTMENT. THE TOTAL 1947-72 INFLOW OF U.S. INVESTMENT IS ADOLS 4.3 BILLION (APPROXIMATELY USDOLS 6.4 BILLION AT THE PRESENT EXCHANGE RATE OR USDOLS 4.8 BILLION AT RATES THEN CURRENT).

SPACE

A MAJOR GOVERNMENT OBJECTIVE IS TO INCREASE LOCAL OWNERSHIP AND CONTROL OF AUSTRALIAN INDUSTRIES AND RESOURCES. TOWARD THIS END, THE GOVERNMENT HAS TRIED - UNSUCCESSFULLY SO FAR -- TO BROADEN THE POWERS OF ITS AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION. OTHER GOVERNMENT STEPS AFFECTING FOREIGN INVESTMENT INCLUDE: PROPOSED ANTI-TRUST AND RESTRICTIVE TRADE PRACTICES LEGISLATION TO FOSTER DOMESTIC COMPETITION; REDUCED TARIFFS AND CURRENCY APPRECIATIONS; PROHIBITING NEW FOREIGN PARTICIPATION IN NON-BANK FINANCIAL INTERMEDIARIES; LOCAL OFFSET REQUIREMENTS FOR MAJOR GOVERNMENT PROCUREMENTS; AND TIGHTER PERSONAL INCOME TAX AND VISA POLICIES TO ENCOURAGE OVERSEAS FIRMS TO HIRE AUSTRALIAN EXECUTIVES. IN THE IMPORTANT MINERALS FIELD, THE GOVERNMENT STATES THAT THE PRESENT LEVEL OF FOREIGN OWNERSHIP (ASSERTEDLY 62 PERCENT) MUST BE REDUCED AND REQUIRES 100 PERCENT LOCAL EQUITY IN NEW URANIUM DEVELOPMENTS, WITH A SIMILAR GOAL FOR OIL, NATURAL GAS AND COAL. THE GOVERNMENT ALSO SEEKS TO PARTICIPATE ACTIVELY IN THIS SECTOR THROUGH ITS OWN ENTITIES. FOREIGN OWNERSHIP REMAINS EXCLUDED FROM CERTAIN SENSITIVE AREAS, SUCH AS BROADCASTING, UTILITIES, DOMESTIC AIRLINES AND BANKING.

SPACE

DESPITE PUBLIC CRITICISM OF MULTINATIONAL COMPANIES BY UNCLASSIFIED

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SOME MINISTERS AND UNCERTAINTIES OVER POLICY IMPLEMENTATION, GOVERNMENT SPOKESMEN HAVE OFTEN SAID THAT FOREIGN INVESTMENT IS STILL WELCOME WHEN IT SERVES THE "NATIONAL INTEREST" AND OBSERVES THE PRINCIPLE OF INCREASED AUSTRALIAN PARTICIPATION. EVEN IN THIS CLIMATE OF CHANGE AND UNCERTAINTY, KEY FACTORS STILL FAVOR FOREIGN INVESTMENT: A GROWING MARKET, UNDEVELOPED RESOURCES, RESPECT FOR PRIVATE PROPERTY AND CONTRACTUAL OBLIGATIONS; AND

GOVERNMENT SUPPORT FOR A MIXED-ECONOMY WITH A STRONG,
GROWING PRIVATE SECTOR.
7,17953.

3. RECENT DEVELOPMENTS: THE FOREIGN INVESTMENT CLIMATE
IN AUSTRALIA HAS BECOME MORE UNCERTAIN DURING THE WHITLAM
GOVERNMENTS FIRST 16 MONTHS IN OFFICE, AND THIS
UNCERTAINTY SHOULD PREVAIL AT LEAST UNTIL AFTER THE
GENERAL ELECTIONS NOW EXPECTED FOR MAY, 1974. WHATEVER
THE ELECTION RESULTS, IT SEEMS CERTAIN THAT FOREIGN
FIRMS WILL CONTINUE TO BE IMPORTANT IN THE NATIONS
LONG-TERM DEVELOPMENT AND PROSPERITY BUT THAT THE TERMS
OF ENTRY FOR FOREIGN INVESTMENT WILL BE MORE QUALIFIED
THAN IN THE PRE-1973 PERIOD.

4. INVESTMENT STATISTICS REQUESTED PARA 8 REF (A) WILL BE
REPORTED BY SEPTEL.
GREEN

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